

NOTICE IS HEREBY GIVEN:

The State Board of Equalization, pursuant to the authority vested in the Board by section 15606 of the Government Code, proposes to amend Rule 462.040, Change in Ownership – Joint Tenancies, in Title 18, Division 1 of the California Code of Regulations. A public hearing on the proposed regulations will be held in Room 121, 450 N Street, Sacramento, at 1:30 p.m., or as soon thereafter as the matter may be heard, on December 12, 2006. Any person interested may present statements or arguments orally at that time and place. Written statements or arguments will be considered by the Board if received by December 12, 2006.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

The State Board of Equalization proposes to amend Rule 462.040 to address administrative issues experienced by county assessors in implementing certain amendments to the rule that were adopted by the Board effective November 13, 2003.

Real property is reassessed at its current fair market value upon a “change in ownership.” Revenue and Taxation Code¹ sections 60 and 65 prescribe the change in ownership law applied to the creation, transfer, or termination of joint tenancy interests in property. Subdivision (b) of section 65 excludes from change in ownership, the creation or transfer of a joint tenancy interest if, after such creation or transfer, the “transferors are among the joint tenants.” After such a creation or transfer of a joint tenancy interest, the transferors who are also transferees become “original transferors” – and a subsequent transfer or termination of a joint tenancy interest does not result in a change in ownership – if the interest vests entirely or in part in an original transferor. When the last original transferor’s interest terminates, there is a change in ownership of the entire property.

Effective November 13, 2003, Property Tax Rule 462.040, subdivision (b)(1) provides that joint tenants may become “original transferors” if they transfer their joint tenancy interest to their respective trusts for the benefit of the other joint tenant or joint tenants. The proposed amendments would eliminate the potential of obtaining “original transferor” status by transferring joint tenancy interests into trusts. To prevent those who have relied on the current version of the rule from being adversely impacted by these amendments, the proposed rule amendments will be effective on a prospective basis only.

The express terms of the proposed action, written in plain English, are available from the agency contact person named in this notice.

COST TO LOCAL AGENCIES AND SCHOOL DISTRICTS

The State Board of Equalization has determined that the proposed amendments to Rule 462.040 does not impose a mandate on local agencies or school districts. Further, the Board has determined that the proposed amendments will not result in direct or indirect costs or savings to any state agency, any costs to local agencies or school districts that are required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code, or other non-discretionary costs or savings imposed on local agencies, or cost or savings in federal funding to the State of California.

EFFECT ON BUSINESS

¹ All section references are to the Revenue and Taxation Code unless otherwise indicated.

Pursuant to Government Code section 11346.5, subdivision (a)(8), the Board of Equalization makes an initial determination that the amendment of Rule 462.040 will not have a significant statewide adverse economic impact directly affecting business because the proposed rule merely interprets and clarifies existing statutory provisions.

The rule will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses nor create or expand business in the State of California.

The adoption of the rule will not be detrimental to California businesses in competing with businesses in other states.

The rule will not affect small business because the new rule only interprets and clarifies property tax assessment law statutory provisions and does not impose any additional compliance or reporting requirements on taxpayers.

COST IMPACT ON PRIVATE PERSONS OR BUSINESSES

There is no cost impact on private persons or business, as the rule amendments do not impose any additional compliance or reporting requirements on private persons or businesses.

SIGNIFICANT EFFECT ON HOUSING COSTS

No significant effect.

FEDERAL REGULATIONS

Rule 462.040 has no comparable federal regulation.

AUTHORITY

Government Code section 15606, subdivision (a).

REFERENCE

California Constitution, article XIII A, section 2, and Revenue and Taxation Code sections 60 and 65.

CONTACT

Questions regarding the substance of the proposed rule should be directed to: Ms. Carole Ruwart, Senior Tax Counsel, at P.O. Box 942879, 450 N Street, MIC:82, Sacramento, CA 94279-0082, email Carole.Ruwart@boe.ca.gov . Telephone: (916) 322-3682; FAX: (916) 323-3387.

Written comments for the Board's consideration, requests to present testimony, bring witnesses to the public hearing and inquiries concerning the proposed administrative action should be directed to Ms. Diane Olson, Regulations Coordinator, at P.O. Box 942879, 450 N

Street, MIC:80, Sacramento, CA 94279-0080, email Diane.Olson@boe.ca.gov . Telephone: (916) 322-9569, FAX (916) 324-2597.

ALTERNATIVES CONSIDERED

The Board must determine that no reasonable alternative considered by it or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which this action is proposed or be as effective and less burdensome to affected private persons than the proposed action.

AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Board has prepared an initial statement of reasons and an underscored version (express terms) of the rule. Those documents and all information on which the proposal is based are available to the public upon request. The rulemaking file is available for public inspection at 450 N Street, Sacramento, California. Requests for copies should be addressed to Ms. Diane Olson, Regulations Coordinator, (916) 322-9569, at P.O. Box 942879, 450 N Street, MIC:80, Sacramento, CA 94279-0080. The express terms of the proposed regulation (rule) are available on the Internet at the Board's website <http://www.boe.ca.gov>.

AVAILABILITY OF FINAL STATEMENT OF REASONS

The final statement of reasons will be made available on the Internet at the Board's website following its public hearing of the adoption of the rule. It is also available for public inspection at 450 N Street, Sacramento, California.

ADDITIONAL COMMENTS

Following the hearing, the State Board of Equalization may, in accordance with law, adopt the rule if the text remains substantially the same as described in the text originally made available to the public. If the State Board of Equalization makes modifications which are substantially related to the originally proposed text, the Board will make the modified text, with the changes clearly indicated, available to the public for 15 days before adoption of the regulation. The text of the modified rule will be mailed to those interested parties who commented on the proposed regulatory action orally or in writing or who asked to be informed of such changes. The modified rule will be available to the public from Ms. Olson. The State Board of Equalization will consider written comments on the modified rule for 15 days after the date on which the modified rule is made available to the public.